

REPORT DOCUMENTATION PAGE			Form Approved OMB No. 0704-0188		
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1. REPORT DATE (DD-MM-YYYY) 04-05-2012		2. REPORT TYPE FINAL		3. DATES COVERED (From - To)	
4. TITLE AND SUBTITLE Stability Operations: Leveraging Procurement Strategies to Achieve Economic Success		5a. CONTRACT NUMBER			
		5b. GRANT NUMBER			
		5c. PROGRAM ELEMENT NUMBER			
6. AUTHOR(S) Thomas M. Clohessy Paper Advisor (if Any): N/A		5d. PROJECT NUMBER			
		5e. TASK NUMBER			
		5f. WORK UNIT NUMBER			
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Joint Military Operations Department Naval War College 686 Cushing Road Newport, RI 02841-1207		8. PERFORMING ORGANIZATION REPORT NUMBER			
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)		10. SPONSOR/MONITOR'S ACRONYM(S)			
		11. SPONSOR/MONITOR'S REPORT NUMBER(S)			
12. DISTRIBUTION / AVAILABILITY STATEMENT Distribution Statement A: Approved for public release; Distribution is unlimited.					
13. SUPPLEMENTARY NOTES A paper submitted to the Naval War College faculty in partial satisfaction of the requirements of the Joint Military Operations Department. The contents of this paper reflect my own personal views and are not necessarily endorsed by the NWC or the Department of the Navy.					
14. ABSTRACT Stability Operations: Leveraging Procurement Strategies to Achieve Economic Success The recent inclusion of stability operations as a core mission set (DODI 3000.05 and JP 3-07) for the U.S. military has highlighted the efforts operational commanders must consider when planning for the post-combat phase of a conflict in an underdeveloped state. The desired end state of most stability operations includes a sustainable economy within the underdeveloped state. Operational commanders must plan to assist in setting the conditions necessary to achieve a sustainable economy. Sustainment in support of combat forces and infrastructure development tasks can be leveraged to help achieve the conditions necessary for a sustainable economy. The operational commander's lines of effort must include short and long term procurement strategies such as employment generation and contract incentives to aid in the establishment of a sustainable economy. Joint doctrine must also incorporate these new strategies to institutionalize military contributions in achieving a sustainable economy in support of stability operations.					
15. SUBJECT TERMS Stability Operations, Procurement, Lines of Effort					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES 16	19a. NAME OF RESPONSIBLE PERSON Chairman, JMO Dept
a. REPORT UNCLASSIFIED	b. ABSTRACT UNCLASSIFIED	c. THIS PAGE UNCLASSIFIED			19b. TELEPHONE NUMBER (include area code) 401-841-3556

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Newport, R.I.**

**Stability Operations
Leveraging Procurement Strategies to Achieve Economic Success**

by

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A paper submitted to the Faculty of the Naval War College in partial satisfaction of the requirements of the Department of Joint Military Operations.

The contents of this paper reflect my own personal views and are not necessarily endorsed by the Naval War College or the Department of the Navy.

Signature: _____//signed//_____

[4] [May] [2012]

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Paper Abstract

Example of an Abstract for paper titled:

Stability Operations: Leveraging Procurement Strategies to Achieve Economic Success

The recent inclusion of stability operations as a core mission set (DODI 3000.05 and JP 3-07) for the U.S. military has highlighted the efforts operational commanders must consider when planning for the post-combat phase of a conflict in an underdeveloped state. The desired end state of most stability operations includes a sustainable economy within the underdeveloped state. Operational commanders must plan to assist in setting the conditions necessary to achieve a sustainable economy. Sustainment in support of combat forces and infrastructure development tasks can be leveraged to help achieve the conditions necessary for a sustainable economy. The operational commander's lines of effort must include short and long term procurement strategies such as employment generation and contract incentives to aid in the establishment of a sustainable economy. Joint doctrine must also incorporate these new strategies to institutionalize military contributions in achieving a sustainable economy in support of stability operations.

Throughout U.S. history, the U.S. armed forces have played a role in stability operations during the post-combat phase of a conflict. However, the Department of Defense (DoD) emphasis on preparing for stability operations has varied over time, as evidenced by previous conflicts. After failures in Vietnam, the U.S. armed forces neglected enhancing their , capabilities to support stability operations, and ensuing operations were poorly executed. The Global War on Terror (GWOT) and campaigns in Iraq and Afghanistan created a paradigm shift that would resuscitate the emphasis on the military's ability to conduct stability operations. On September 16, 2009 DoD identified the importance of stability operations as a core military mission which "the DoD shall be prepared to conduct with proficiency equivalent to combat operations."¹ In September 2011, the Office of the Chairman of the Joint Chiefs of Staff (CJCS) published JP 3-07, *Stability Operations*, to provide a foundation for planning and executing stability operations in support of this new core mission set.

While JP 3-07 provides a sound framework for the U.S. armed forces to follow, more analysis is required to capture the military's full potential in conducting stability operations to transform an underdeveloped state into a secure and stable post-combat state. One function of stability operations identified in JP 3-07 is "economic stabilization and infrastructure". The additional analysis must focus the military's capability to provide economic assistance in addition to security and infrastructure development during stability operations. Historically, the military's contributions to achieve this objective during stability operations are providing short term employment of the local population, providing security,

¹ U.S. Department of Defense. *Stability Operations*. Department of Defense Instruction (DODI) 3000.05. Washington DC: DoD, 16 September 2009), 2.

and supporting critical infrastructure development.² While important, these contributions fall short of establishing a sustainable economy that can thrive once stability operations are complete. Currently, commanders and staffs are not optimally planning and executing the “economic stabilization” function of stability operations in underdeveloped states. The operational commander should integrate procurement strategies in the joint force’s stability operations lines of effort (LOE) to set the conditions for long-term economic stabilization. Doctrine should follow suit to emphasize that commanders can provide more than just security and infrastructure capabilities to achieve economic stabilization.

In order to analyze such strategies, the definition of stability operations must be clear, as well as the set of conditions to which commanders can apply these LOEs. According to DODI 3000.05, stability operations is defined as “Encompassing various military missions, tasks, and activities conducted outside the United States in coordination with other instruments of national power to maintain or reestablish a safe and secure environment, provide essential governmental services, emergency infrastructure reconstruction, and humanitarian relief.”³ The purpose of this analysis is to determine how the combatant and Joint Task Force (JTF) commanders can manipulate procurement strategies to set the conditions for long term economic stabilization in support of large-scale, long-duration stability operations within an underdeveloped state after transitioning from major combat operations. One relevant example is Afghanistan as a part of Operation ENDURING FREEDOM (OEF).

² U.S. Office of the Chairman of the Joint Chiefs of Staff. *Stability Operations*. Final coordination, Joint Publication (JP) 3-07. Washington DC: CJCS, September 2011, III-31 – III-34.

³ U.S. Department of Defense. *Stability Operations*. Department of Defense Instruction (DODI) 3000.05. Washington DC: DoD, 16 September 2009), 1.

The ideal condition-setting for long-term economic stabilization begins early, when the commander delineates his or her LOEs to accomplish stability operations objectives. One way to set the conditions required to accomplish economic stabilization is focusing on the stability operations LOE and identifying potential opportunities that will encourage long term economic stabilization. Per JP 5-0, “A LOE links multiple tasks and missions using the logic of purpose—cause and effect—to focus efforts toward establishing operational and strategic conditions” and emphasizes the importance of LOEs to help the commander visualize how military capabilities can support other national instruments of power.⁴ During stability operations the commander needs to understand that they can align their military operations to have second and third order effects that result in achieving other nonmilitary objectives across the multiple LOEs during stability operations.

In order to positively affect multiple LOEs, commanders must familiarize themselves with the elements of each LOE that lead to the established desired end state of stability operations. JP 3-07, Stability Operations, identifies five stability operations functions that are “the pillars upon which the USG frames the possible tasks required in a stabilization effort.”⁵ These five functions are: security, humanitarian assistance, economic stabilization and infrastructure, rule of law, and governance and participation. Ultimately, planners should use these five functions to identify the desired end state in stability operations and devise LOEs to support the desired end state. A commander must consider every available option when creating an operational design to identify military tasks that will have a positive effect across multiple LOEs in support of the desired end state. The most common

⁴U.S. Office of the Chairman of the Joint Chiefs of Staff. *Joint Operation Planning*. Final coordination. Joint Publication (JP) 5-0. Washington DC: CJCS, August 2011), III-28.

⁵ U.S. Office of the Chairman of the Joint Chiefs of Staff. *Stability Operations*. Final coordination, Joint Publication (JP) 3-07. Washington DC: CJCS, September 2011, III-1.

misperception is that military tasks typically only support security and infrastructure development objectives. Examples of these tasks include providing security for bank systems or critical infrastructure development, restoring essential services such as water and energy, repairing transportation routes, or even assisting with the establishment of local governments. While these and other security related tasks have been the main emphasis of military planning during stability operations, it's important to emphasize the potential role military forces can play in setting long term conditions to achieve a sustainable economy through the economic stabilization and infrastructure LOE.

A sustainable economy is defined as an economy “in which people can pursue opportunities for livelihoods within a predictable system of economic governance bound by law.”⁶ According to the United States Peace Institute, there are four necessary conditions required to achieve a sustainable economy. Military forces have the potential to positively affect all four conditions, which are macroeconomic stabilization, control over the illicit economy and economic-based threats to peace, market economy sustainability, and employment generation.⁷ Joint doctrine primarily focuses on providing security, infrastructure development, and quick employment generation to support these conditions. While infrastructure development provides a long term fix to support a sustainable economy, the rest of the military contributions only achieve short term goals within the economic stabilization and infrastructure LOE and do not contribute to achieving the overall desired end state of economic stabilization.

⁶ United States Institute of Peace (USIP) and the U.S. Army Peacekeeping and Stability Operations Institute (PKSOI). *Guiding Principles for Stabilization and Reconstruction*. Washington, DC: United States Institute of Peace Press, 2009), 9-132.

⁷ (USIP) and (PKSOI). *Guiding Principles for Stabilization and Reconstruction*, 9-133

Doctrine even states that employment generation focuses on finding jobs for local nationals quickly as a short term positive effect even if the jobs are temporary and not sustainable.⁸ This type of action falls more in line with counterinsurgency (COIN) operations in persuading local nationals to take a job instead of picking up a weapon and joining the insurgency. This quick employment generation does not lay a long term foundation required to achieve the necessary condition of employment generation for a sustainable economy. If the jobs created are only temporary, then as soon as the local nationals no longer hold a job they could resort to joining the insurgency, which hampers the coalition's ability to achieve their desired end state. Resourceful commanders must also consider leveraging military tasks that can provide long term contributions to the economic stabilization and infrastructure LOE while simultaneously achieving military objectives along other LOEs.

A savvy operational commander can further leverage military tasks by integrating procurement strategies into future joint force stability operations LOE that will set the conditions for short and long term economic stabilization. This effort would focus on the market economy sustainability and employment generation conditions required for a sustainable economy. The market economy sustainability condition refers to a market-based economy that is enabled and encouraged to thrive as well as an economy where the private sector is nurtured and strengthened.⁹

Commanders have already leveraged sustainment and infrastructure development requirements by implementing procurement strategies in OEF to assist in meeting

⁸ U.S. Office of the Chairman of the Joint Chiefs of Staff. *Stability Operations*. Final coordination, Joint Publication (JP) 3-07. Washington DC: CJCS, September 2011, III-31.

⁹ United States Institute of Peace (USIP) and the U.S. Army Peacekeeping and Stability Operations Institute (PKSOI). *Guiding Principles for Stabilization and Reconstruction*. Washington, DC: United States Institute of Peace Press, 2009), 9-132.

employment generation conditions that help set the stage for economic stabilization. In March 2006, the Commanding General of Combined Forces Coalition-Afghanistan (CFC-A), implemented the “Afghan First” program to leverage CFC-A activities and resources to promote the Afghan economy by encouraging military units and civilian organizations to acquire goods and services locally.¹⁰ This is a good example of a procurement strategy aimed at strengthening the local economy and creating employment opportunities that support stability operations. As stated by the U.S. Embassy-Kabul and US Forces Afghanistan, “Degrading poverty, increasing wealth disparity, and widespread unemployment are currently exploited by insurgent and criminal elements for recruitment.”¹¹ A solid procurement strategy such as “Afghan First” can help reduce and/or eliminate some of the economic hardships exploited by insurgents. For example, “Afghan First” provided jobs and training to the indigenous population so they could earn a paycheck rebuilding Afghanistan rather than providing insurgents the opportunity to recruit more local nationals to pick up arms against the coalition. This strategy might have been even more effective if the program were quickly implemented following major combat operations rather than rolling out four years after OEF began.

A creative operational commander can take employment generation a step further by implementing a contract incentive program that will complement an “Afghan First” type employment initiative. The U.S. and coalition forces have historically relied upon large contractors, such as Halliburton or KBR in Iraq and Afghanistan, to provide sustainment support and infrastructure development during combat, nation building, and stability

¹⁰ Office of the Special Inspector General for Afghanistan Reconstruction. *Audit-12-6 Economic and Social Development/Afghan First Initiative*. Washington, DC: SIGAR, January 2012), 2.

¹¹ US Embassy-Kabul & U.S. Forces Afghanistan. *USG Integrated Civilian-Military Campaign Plan for Support to Afghanistan*. Afghanistan: US Embassy-Kabul & USFOR-A, February 2011), 20.

operations. An effective way to capitalize on these services and construction requirements is creating contracts with incentives for these large contractors to sub-contract work using local companies or employing the local population. Contracting Officers can use the methodology of U.S. Incentive Subcontracting with Small Disadvantaged Business (SDB) Concerns¹² as the model for creating the incentive program. The methodology uses monetary incentives to encourage the large contractors to increase their sub-contracting and employment opportunities to local businesses and the indigenous population of the underdeveloped state. This has been proven successful by DoD within the U.S. as evident by the 46% increase in sub-contract awards to SDB companies from 2003 to 2009.¹³ The application of this incentive program will increase the local supplier base and provide more local employment opportunities by motivating large contractors to sub-contract with local businesses and the population to the maximum extent practicable.

Even though the “Afghan First” type employment program and contract incentives would provide jobs to meet employment generation conditions for a sustainable economy, they still fall short of achieving market economy sustainability. The short term impacts that result from these two initiatives cannot evolve into long term economic gains for an underdeveloped state. While it’s important that jobs are generated, underdeveloped states cannot sustain themselves unless they can function without foreign aid. For example, the current Afghan economy cannot sustain itself or support its government without external support and aid. “Donor assistance accounted for about 88% of Afghanistan’s total funding

¹² ESC/HIBB-Hill Farsite. “19.1203 - Incentive Subcontracting with Small Disadvantaged Business Concerns.” <http://farsite.hill.af.mil/vffara.htm> (accessed 2 May 2012). The contracting officer may encourage increased subcontracting opportunities in the NAICS Industry Subsector as determined by the Department of Commerce for SDB concerns in negotiated acquisitions by providing monetary incentives. Monetary incentives shall be based on actual achievement as compared to proposed monetary targets for SDB subcontracting.

¹³ Department of Defense Office of Small Business Programs. “DoD Program Goals and Statistics.” <http://www.acq.osd.mil/osbp/statistics/goals.htm> (accessed 25 Apr 2012).

during the 2008-2009 budget year and greater short-falls are projected in the coming years.”¹⁴

Stability operations create a temporary economy that will essentially disappear once forces withdraw from the underdeveloped state. This will lead to massive unemployment and failed businesses because they will no longer have a market demanding goods and services. This goes against the conditions necessary to achieve market economy sustainability. Afghanistan is a great example of an economy dependent on the requirements to sustain stability operations forces. The private sector is not strengthened because the local Afghan population is not given the tools and experience they need to build businesses that will still thrive once coalition forces leave Afghanistan. The employment and contract incentive programs require additional initiatives that will ultimately set the conditions necessary for a sustainable economy.

In order to attain both the employment generation and market economy sustainability conditions necessary for a sustainable economy, operational commanders need to incorporate additional procurement strategies that also focus on making market economy sustainability a reality. The additional procurement strategies must complement the employment generation programs by creating conditions that will foster a thriving market-based economy and strengthen the private sector so it is not dependent upon coalition presence. One procurement strategy that supports these conditions is incorporating regional partners into the procurement mix that will create access to additional markets for the underdeveloped state. For example, U.S. Central Command (USCENTCOM) took necessary steps to support more long term economic stabilization within Afghanistan by issuing Policy Letter 40 in

¹⁴ U.S. Government Accountability Office. *Strategic Framework—Afghanistan*. Washington, DC: GAO, June 2010), 3.

September 2011. Its purpose was to leverage the Northern Distribution Network (NDN), a logistics route through the Central Asian States (CAS), to expand economic partnership within the CAS by “promoting and supporting enduring trade and commerce in the region.”¹⁵

The regionalization initiative will help set conditions for long term economic stabilization within Afghanistan because it promotes regional economic integration that will potentially open up new markets for local Afghan businesses. According to Kuchins and Sanderson of the Center for Strategic and International Studies, the United States should “integrate as many locally sourced products as possible into the NDN in order to facilitate the development of greater sustainable cross-border commerce.”¹⁶ This will help create a more self-sustaining Afghan economy and lessen its dependency on foreign aid. Although Policy Letter 40 will help foster a thriving market-based economy, it does not directly address nurturing and strengthening the private sector.

An underdeveloped state will not be able to take advantage of new market opportunities without nurturing and strengthening their private sector to meet the additional demand. In order to set the necessary conditions for a sustainable economy, operational commanders must implement a strategy that will help create a strong private sector engine to run the underdeveloped state’s economy. The operational commander must take this into consideration when determining what type of initiatives he or she can implement to leverage sustainment and infrastructure development tasks as well as build a local business base that can take advantage of more market opportunities. Along with expanding market

¹⁵ U.S. Central Command. *Acquisition of Products and Services, Produced in the Central Asian States (CAS), Central Asian States Procurement Initiative*. Command Policy Letter 40. MacDill AFB, FL: USCENTCOM, 03 September 2011, 1.

¹⁶ Andrew C. Kuchins and Thomas M. Sanderson. *The Northern Distribution Network and Afghanistan: Geopolitical Challenges and Opportunities*. Washington, DC: Center for Strategic & International Studies, January 2010), 12.

opportunities regionally, the strategy must also include programs that allow local businesses to become internationally relevant with the ability to conduct international trade by meeting applicable international trade standards.

A current obstacle many businesses and entrepreneurs in underdeveloped states face is their inability to do business with the U.S. Government or other international markets because their supplies or services do not meet international standards. This limits economic growth within the region by impeding local businesses from the ultimate goal of seeking economic stability and independence through transnational trade. An operational commander can leverage his or her contracting assets to create a Mentor/Protégé program nested in contracts awarded for combat support services and infrastructure development. The large contractors that receive these contracts can help strengthen the local private sector while simultaneously supporting stability operations.

The Mentor/Protégé concept would incorporate an incentive into contracts awarded to large contractors that provide combat support services and infrastructure development. The monetary incentive would stimulate the large contractors to seek out local businesses and entrepreneurs that might be able to provide services to satisfy requirements under the contract. If the businesses cannot fulfill the requirements because they don't meet the standards necessary to perform the services, the large contractor can establish an official Mentor/Protégé relationship to assist local companies in bringing their businesses up to standards. Once it has been verified that local companies meet standards, the large contractor receives a monetary award for helping a local business and strengthening the private sector. This would also mean that the initial combat support services or infrastructure development requirements have been accomplished as well. The overall purpose of the Mentor/Protégé

incentive program is to motivate the large contractors to seek out local businesses and make them more economically relevant on a regional and possibly global scale. As an indirect result of the Mentor/Protégé program, the large contractor could also benefit from establishing long lasting relationships with local businesses that would provide the large contractor with additional market opportunities.

Aligning these short and long term procurement strategies within the economic stabilization LOE provides the operational commander a critical component that will set the stage for accomplishing the desired end state of stability operations in an underdeveloped state. This type of untraditional approach can easily be forgotten if the ideas are not institutionalized within the planning process. In order to ensure an operational commander is cognizant of these critical capabilities, it is imperative to incorporate them in joint doctrine.

Currently, the only reference within JP 3-07, *Stability Operations*, that pertains to these procurement initiatives is employment generation.¹⁷ While it does a good job of capturing the importance of employment generation and its contribution to economic stabilization, it does not address any long term initiatives required to create a sustainable economy. The section also emphasizes the importance of creating jobs quickly, even if employment is not sustainable. This is not a good solution if the desired end state of stability operations is a stable economy.

The most effective way to incorporate the military contribution to creating a sustainable economy during stability operations is breaking out long and short term military contributions. The short term contributions would include initiatives or overall guidance to achieve the employment generation condition necessary to achieve a sustainable economy.

¹⁷U.S. Office of the Chairman of the Joint Chiefs of Staff. *Stability Operations*. Final coordination, Joint Publication (JP) 3-07. Washington DC: CJCS, September 2011, III-31.

This initiative would include the guidance currently covered within JP 3-07 which states the military forces can directly generate employment opportunities.¹⁸ The addition to this section would include guidance recommending contracting assets to incentivize contractors they select to also seek out and hire businesses and people within the local area.

JP 3-07 should also include a section providing guidance on how the military can contribute to achieving the market economy sustainability condition necessary for a sustainable economy. This section would consist of the long term procurement initiatives. The addition of the long term initiatives are important because these are the capabilities that an operational commander can easily overlook when planning how to most effectively use his or her military forces in support of stability operations. These long term initiatives provide the operational commander a force multiplier capability because they directly support sustainment and infrastructure development tasks while at the same time assisting the economic stabilization LOE to get the underdeveloped state's economy on track.

The procurement strategies would require significant planning if the operational commander wants to ensure their success. Some planners might believe these initiatives require resources the military forces cannot afford to set aside. These programs will require some additional manpower and funding if the operational commander wants to maximize their effects. While this is true, the request for additional resources will be minimal because these initiatives will be incorporated into processes that are already performed within current LOEs during stability operations. It may require additional work on the part of contracting assets in theater, but these assets are already in place and the implementation of the new initiatives can be seamlessly incorporated into their current operations.

¹⁸ CJCS, *Stability Operations*, III-32.

The operational commander will also see long term fiscal savings as a result of implementing these procurement initiatives. While there is an up-front cost associated with funding the incentives, costs will go down in the long term because the overall cost of the contracts would decrease if large contractors can acquire services locally rather than bringing personnel and commodities into theater. As a result, contract costs will decrease since the contractor's expenses will go down through local procurements.

Long term fiscal savings could also include the amount of money saved from withdrawing stability operations forces sooner than expected. The operational commander can shorten the stability operations timeline if he or she can efficiently utilize forces to affect multiple LOEs. The additional planning would result in devising a strategy to positively affect the desired end state along all five pillars of stability operations. The procurement strategies will not only include security and economic stabilization, but it will also positively affect humanitarian assistance, rule of law, and governance by helping to create an economy that will be able to independently support the established government and its people once stability operations forces withdraw. The fiscal savings realized by the U.S. government will be the cost of leaving forces in place to conduct more protracted stability operations if operational commanders did not try to efficiently utilize their forces along multiple LOEs.

Another argument against implementing the procurement strategy is the buy-in required from the large contractors. One could argue the incentives will not motivate the large contractors to seek out local businesses and entrepreneurs and won't provide the necessary conditions for a sustainable economy. Some large contractors may not pursue these incentives because the burden may be too great on their part to provide services and help build the local economy at the same time. Even though this might be the case, the

benefits of the procurement strategy will outweigh the drawbacks. One reason large contractors would participate in this program is to streamline their processes to meet contract requirements. These incentive programs will motivate the large contractors to acquire services or goods within the local area leading to reduced operating costs. They will receive additional monetary awards for providing more responsive services and goods. If large contractors can contribute to establishing a sustainable economy in a new market, they will be able to enjoy the benefits of exploiting new market opportunities they did not enjoy prior to establishing business relationships with local companies and entrepreneurs.

Planners on the operational commander's staff might believe long term economic stabilization is not the military's responsibility during stability operations. This is no longer the case since the military is now expected to conduct stability operations with the same proficiency as combat operations. Stability operations is no longer the sole responsibility of other non-military organizations. The military now needs to contribute to all aspects of stability operations, including economic stabilization. While it's true that civilian organizations have the lead on building a sustainable economy during stability operations, the military should leverage its capabilities to positively affect multiple LOEs. Revisions to JP 3-07, *Stability Operations* are required in order to institutionalize this mindset within the military culture. These revisions should incorporate efforts that result in positive short and long term effects for economic stabilization. These efforts would focus on directly contributing to key economic conditions necessary for a sustainable economy through employment generation and market economy sustainability by concentrating more planning effort toward the economic stabilization and infrastructure LOE. This can be accomplished with a minimum amount of additional resources by implementing procurement strategies into

contracting processes already performed by contracting personnel in support of military operations. The inclusion of contract incentives and employment programs into an already established procurement process will ensure the operational commander can use his or her resources to the maximum extent practicable in setting the conditions necessary for accomplishing various tasks along multiple LOEs during stability operations in an underdeveloped state.

As the U.S. military prepares to adjust its forces as a result of budget cuts, they will be expected to continue doing more with less. This even means taking on additional responsibilities that come along with the stability operations core mission set thrust upon them over the last couple of years. The military's role in stability operations will not gradually disappear over time because the typical organizations that would assume responsibility for the humanitarian assistance, economic stabilization and infrastructure, rule of law, and governance pillars of stability operations will not have the resources to execute these tasks. For example, the State Department will continue to go through a budget crisis and won't have the capacity to take on any additional stability operations responsibilities that might seem more in sync with their core competencies.

Challenges in the future will also continue to focus on stability operations capabilities that the military can bring to the table. One notable geographic area that will most likely require stability operations is Africa. The majority of USAFRICOM's area of responsibility includes underdeveloped states that engulfed in constant conflict. The growing influence of extremist organizations continue to make this a volatile region as well. This influence and the presences of volatile and failing states highlight the importance of stability operations and its role it will play in addressing and resolving future conflicts in the world. This is why it

will be critical for operational commanders to take lessons learned from history, to include Afghanistan, and apply additional procurement strategies to support a sustainable economy in future stability operations. Otherwise, the U.S. will find itself in a situation similar to the years following Vietnam.

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